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Local Government Initiative (LGI)

Annual Task Order Report

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Local Government Initiative (LGI)

Annual Task Order Report

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Abbreviations

AAK	Alliance for the Future of Kosovo
AKM	Association of Kosovo Municipalities
BAS	Business Attitude Survey
BSIC	Business Service and Incubator Center
CEO	Chief Executive Officer
CIMIC	Civil-Military Cooperation
COP	Chief of Party
CSC	customer service center
CSO	Civil society organization
CTO	Cognizant Technical Officer
DCOP	Deputy Chief of Party
EAR	European Agency for Reconstruction
ERP	Economic Reconstruction Project
FY	fiscal year
HR	Human Resources
IF	Incentive Fund
IOM	International Organization for Migration
KCBS	Kosovo Cluster Business Support
KIPA	Kosovo Institute of Public Administration
KIPRED	Kosovo Institute for Research and Policy Development
KTA	Kosovo Trust Agency
LDK	Democratic League of Kosovo
LED	Local Economic Development
LGI	Local Government Initiative
LGWG	Local Government Working Group
MDA	Municipal Development Agenda
MEF	Ministry of Economy and Finance
MESP	Ministry of Environment and Spatial Planning
MHSYO	Municipal High Schools Youth Organization
MLGA	Ministry of Local Government Administration
MMC	Municipal Management Consultant
MOFE	Ministry of Finance and Economy
MOPS	Ministry of Public Services
MOU	Memorandum of Understanding
MTI	Ministry of Trade and Industry
NGO	Nongovernmental Organization
OSCE	Organization for Security and Cooperation in Europe
OSR	own-source revenue
PDK	Democratic Party of Kosovo
PISG	Provisional Institutions of Self-Governance
PM	Prime Minister
PPP	public-private partnership
PR	public relations
RAE	Roma/Ashkaelia/Egyptian
REA	Regional Enterprise Agency
RFP	Request for Proposal
RMA	Residential Municipal Advisor
ROM	roll-out municipality
RTI	Research Triangle Institute

SC	Steering Committee
SMEs	Small and medium enterprises
SO	Strategic Objective
SOE	socially owned enterprise
SOW	scope of work
SRSG	Special Representative of the Secretary General
TOR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Program
UN-HABITAT	United Nations Human Settlements Programme
UNMIK	United Nations Mission in Kosovo
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
WSI	Worldwide Strategies Inc.

1 **Executive Summary**

RTI International¹ is pleased to submit this annual report for the Local Government Initiative in Kosovo, in accordance with U.S. Agency for International Development (USAID) contract number EEU-I-00-99-00014-00. This is the first annual report produced under the contract and covers the period May 17, 2004 to May 17, 2005.

1.1 **Project Objectives**

The Local Government Initiative (LGI) is USAID/Kosovo's key technical assistance program to promote Strategic Objective (SO) 2.1:

Civil society and government are more effective partners in achieving good governance.

More specifically, under this SO, USAID has engaged LGI with four specific tasks:

- **Task 1**—Improve the legislative framework for local governance and clarify roles and responsibilities;
- **Task 2**—Improve municipal management and leadership;
- **Task 3**—Improve transparency, accountability, and public participation; and
- **Task 4**—Foster local economic development (LED).

In addition, USAID has requested that LGI assist with the implementation of priority standards identified for municipalities by the United Nations Mission in Kosovo (UNMIK). As a part of the tasks identified above, LGI was also tasked to begin activities to communicate with and assist the nonhost municipalities of Kosovo in implementing good local governance practices ("roll out"). These task activities form the core project objectives.

1.2 **Project Accomplishments: May 2004–May 2005**

During the summer of 2004, LGI began active operations by using a defined competitive process in which municipalities were invited to apply for inclusion in the USAID LGI as host municipalities. Five municipalities were initially selected, and the sixth, Pejë/Pec, was added later. The selected host municipalities and USAID signed Memoranda of Understanding (MOU) that would govern the cooperation between them under the project, with advisors taking up their stations as Resident Municipal Advisors (RMA) during October 2004. Because of its later selection, Pejë/Pec Municipality did not sign the MOU with USAID until November 18, 2004, and LGI operations started there at the beginning of December, 2004. Municipalities have generally provided the necessary levels of support for project administrative activities.

The RMA of the host municipalities performed extensive assessments, which they used as the bases for the development of individual municipal work plans. Once accepted, the RMAs used these work plans to organize and project work flows in each municipality. The RMA also negotiated to form Municipal Steering Groups of varying composition in each

¹RTI International is a trade name of Research Triangle Institute.

municipality to oversee project activities and to review and supervise LGI's execution of municipal work plans.

Progress made toward achievement of the four tasks, as well as the support of standards implementation and the dissemination of project activities to nonhost municipalities, has been mixed. LGI has operated under the originally stated premises that each municipality should develop its own solutions to issues and that LGI operations should be demand driven, i.e., in response to municipal requests. Different municipalities have different priorities, goals, and objectives, and municipal LGI Team operations have reflected this diversity. LGI anticipates that Year 2 operations will be substantially more focused.

During Year 1 of the project, LGI's operational activities focused on the implementation of standards; changes to public finance; LED; spatial planning; and ongoing consultation and advisory services to the municipalities, the Ministry of Local Government Administration (MLGA), and the Ministry of Environment and Spatial Planning (MESP). The LGI has submitted project deliverables on a regular basis to the mission's Cognizant Technical Officer (CTO). LGI has also submitted four Quarterly Reports. Municipal Reports detailed project activities by municipality and task. Some project accomplishments are listed below—organized by the primary task to which they relate. It is important to note that the impact of a majority of LGI activities and initiatives cut across task boundaries:

Task 1:

- Developed and delivered recommendations on position utilization, rather than employee counts, to determine staffing levels, funding, and the possibility of standards-related positions at central ministries and municipalities.
- Developed and delivered recommendations (currently adopted or under consideration) at the municipal and central levels of government on revisions to:
 - Spatial planning processes,
 - Agricultural law,
 - Local governance,
 - The budget system,
 - Municipal public finance,
 - Revenue policies and municipal government own-source revenues (OSRs), and
 - Public participation in municipal budget development.
- Following the establishment of the Kosovo Local Government Working Group (LGWG)², assisted the LGWG by
 - identifying of issues comprising the new local government legislative framework,
 - preparing two legislative working papers on municipal finance and municipal properties and facilities, and
 - presenting proposed legislative recommendations to the members of the LGWG.

LGI reviewed and complemented the initial list of legislative local government issues prepared by USAID/Kosovo, which was subsequently submitted to the LGWG. In response to the LGWG's request for assistance developing of legislative framework proposals for municipal finance and for municipal property and facilities, LGI commissioned three short-

² The LGWG consists of representatives from UNMIK, Ministry of Public Services (MOPS), Ministry of Finance and Economy (MOFE), OSCE, USAID, Council of Europe, and Association of Kosovo Municipalities.

term technical assistants, Mr. James McCullough and Mr. Lawrence Daum (municipal finance) and Mr. Roman Dziekonski (municipal property) to prepare the respective working papers. The papers were prepared under a very limited timeframe, translated to Albanian and Serbian, and submitted to the LGWG. The papers were then presented at the LGWG session and formally accepted.

Task 2:

- Provided input and concrete recommendations to the Kosovo Institute of Public Administration (KIPA) for municipal training.
- Developed, drafted, and delivered a municipal phone book to ease internal communications in Pejë/Pec municipality. This book is scheduled for distribution to all municipal employees as soon as it is printed.
- The LGI Team in Suharekë/Suva Reka worked with selected departments to increase the quality of the data they possess and gather, as well as to improve administrative operations.
- In Gjakovë/Đakovica, significant work has been completed in support of the Resystematization Commission. Work in progress includes interviews with all directors and service sections staff and a stakeholders' survey. It also includes identifying required budget savings.
- The Shtërpçë/Štrpce LGI Team completed a written analysis of the president's and deputies' duties and responsibilities based on Reg. 2000/45 and municipal statutes. The team then presented ideas and best solutions implemented in the region.
- An Action Planning Manual was developed and delivered by the Shtërpçë/Štrpce LGI Team and subsequently delivered to host and nonhost municipalities.
- The Shtërpçë/Štrpce LGI Team developed and delivered written recommendations on revisions to municipal organization that are currently under consideration by the municipality.
- LGI Teams in Gjakovë/Đakovica and Gjiilan/Gnjilane have provided written procedural and policy guidance on the conduct and importance of meetings, and a substantial municipal reorganization of policy-making processes has been initiated in both municipalities.

Task 3:

- The Pejë/Pec office also developed and delivered assistance to the Procurement Division in the preparation of requests for proposals (RFPs). Documents have been distributed to 12 additional municipalities, and opportunities for assistance in procurement have been identified. Coaching and contact are ongoing, and a policy and procedure guide is being contemplated.
- The Gjiilan/Gnjilane LGI Team has identified and collaborated with a media nongovernmental organization (NGO) that has been successfully holding debates on local policy issues.
- The Shtërpçë/Štrpce team has positively responded to the request to support the host municipalities' youth business training, organized in Macedonia. The

municipality agreed to contribute €200 to partly cover the costs of four Shtërpçë/Štrpce secondary school students at this event.

- The LGI Team in Suharekë/Suva Reka, with the support of other LGI Teams, organized a business and proposal planning and preparation training supported by both host and nonhost municipalities in Ohrid, Macedonia.
- All public municipal events relating to LGI work in Shtërpçë/Štrpce (request for public inputs to the spatial plan, inauguration of LED activity, LED workshops, important visits, etc.) have been recorded and broadcast by the local media, TV Herc.
- In Gjakovë/Đakovica, renewed contact has been established with the NGO Forum, and the municipality has included NGO representation on several commissions it has established.

Task 4:

- The Gjilan/Gnjilane LGI Team has assisted in the formation of the municipality's first business association.
- The Pejë/Pec LGI Team assisted in drafting a short lead-time proposal for funding the development of a business incubator, business services center, and citizen s' services center. This "one-stop shop" in the center of Pejë/Pec city will include multiple uses designed to enhance citizen participation in meetings, events, and the communal life of the municipality. This is a significant potential use of incentive fund monies if matching grants are provided by the European Agency for Reconstruction (EAR) through the Ministry of Trade and Industry (MTI).
- The Pejë/Pec LGI Team developed and delivered materials on the preparation of municipal and urban spatial plans, including guidelines, procedures, work plans, and administrative and political decision-making support and documentation. These materials were associated with the procurement materials referenced above and have also been delivered to the same 12 municipalities on their request.
- The LED training manual has been translated and bound and is being used at the municipal level for ongoing LED training and assistance.
- The Shtërpçë/Štrpce team materially assisted the municipality to produce its Municipal Development Plan, the only one to have been delivered to the MESP by the deadline set in the spatial planning law.

Standards Implementation and Roll Out

In response to changing conditions and USAID requests linked to the achievement of UNMIK priority standards by the municipalities of Kosovo, LGI devoted significant effort to supporting the processes in its host municipalities. Throughout the six municipalities, the LGI Team played a critical supporting role in numerous activities directly related to standards. Activities included

- **First town hall meeting on standards.** Podujevë/Podujevo accepted LGI's recommendation and assistance in conducting the first town hall meeting in Kosovo on the topic of standards; LGI played a pivotal role in this process. LGI participated in the design of and all preparations for the meeting, which drew 160 local leaders.

- **Standards workshop.** LGI hosted and conducted a workshop on standards for 80 local leaders, NGOs, and youth.
- **Youth Assembly for standards.** LGI convened a session of the Youth Assembly to address actions needed to promote standards implementation.
- **Radio and television programming.** LGI introduced a concept and has taken steps in the northern municipalities and Podujevë/Podujevo to create a series of programs to influence youth. This program series serves to create and facilitate a network to call for peace if violent events occur in the future.
- **Democratic, multiethnic, and tolerant society contest.** LGI sponsored an art and essay contest for students in the 35 schools in Podujevë/Podujevo through the Directorate of Education to promote democracy and tolerance in a multiethnic society.
- **Podujevë/Podujevo Assembly President and LGI Team radio talk show on standards.** On the day the Prime Minister was taken to the Hague, the President of the Podujevë/Podujevo Assembly invited the LGI Team to address the public regarding standards and to request that everyone remain calm.

An early start on the transmission to nonhost municipalities of LGI recommendations and other good practices was also requested by USAID during Year 1 of the LGI Project. The LGI performed assessments for the majority of municipalities in Kosovo, and numerous activities either directly or indirectly impacted nonhost municipality operations. Final assessment reports for nonhost municipalities are pending.

2 Central LGI Functions Annual Report

2.1 Overview

The central functions of the LGI Project spent much of Year 1 in growing to meet the demands of the project. Because of changes in structure, efforts directed toward hiring senior staff were substantially complicated; however management and leadership administrative functions were able to continue.

Although the RMA provided some support for operations related to Task 1, the lack of a dedicated Task 1 Manager and obstacles related to the initial establishment of the MLGA limited project impact for this task.

2.2 Key Accomplishments and Activities

- Completed a comprehensive process of application, assessment, and selection for municipalities according to the Work Plan timetable.
- Recruited local field staff and deployed teams by October 1, 2004 (December 1, 2004, for Pejë/Pec) as per Work Plan timetable.
- Established communication and cooperation linkages with key international (UNMIK/OSCE³/Council of Europe/UNMIK Pillar IV⁴, UN-HABITAT) and local stakeholders (AKM⁵, ministries [MLGA and MESP, in particular], and KIPA), and formed connections with other USAID projects in areas of overlapping competencies (public finance, LED, etc.).
- Secured contractual relationships with the Kosovo Institute for Research and Policy Development (KIPRED) for production of reports and assessments as per the LGI contract.
- Established and operating LGI Web site.
- Provided support to the MLGA through the posting of a part-time legal officer, who acts as an advisor to the minister.
- Experienced significant problems with the recruitment for some key posts identified for local staff, notably the Task 1 Manager and the replacement for the original Deputy Chief of Party (DCOP).

2.3 Challenges and Opportunities for 2005–2006

- LGI anticipates that a suitable and qualified Task 1 Manager and DCOP will be hired early in Year 2 of the LGI.
- Both central and field staff will be reoriented to expect and be able to respond to sudden changes of demand from MLGA for its legislative Work Plan. This will include arrangements to support the five working groups and subgroups related to the preparation of MLGA legislation.

³ Organization for Security and Cooperation in Europe.

⁴ Economic restructuring.

⁵ Association of Kosovo Municipalities.

- Both central and field staff will be reoriented to expect and be able to respond to demand associated with the impacts of other legislative initiatives on municipalities, particularly those of ministries other than the MLGA
- Recruitment and retention of key staff, especially in relation to Task 1, may continue to be a challenge.
- LGI will continue and expand its commitment to networking and identifying USAID and other program and interprogram synergies, as well as those possible with other international agencies.
- Both the LGI Web site and a number of data collection and manipulation tools will continue to be developed in Year 2.
- Report formats will be developed and implemented that are satisfactory to USAID and provide meaningful progress measurements for the LGI project and municipalities.
- The organization of conferences, workshops, and seminars or other appropriate mechanisms to engage public and institutional debate on the Key Tasks will be a primary responsibility of the central LGI staff.
- LGI will ensure publicity for the USAID Mission and LGI through the project Web site and the USAID biweekly report, as well as through other reporting and publicity mechanisms, discussions, and meetings.

3 Municipal Annual Report: Gjakovë/Đakovica

3.1 Overview

The major focus of efforts in Gjakovë/Đakovica municipality has been on areas related to Task 2, with a number of changes to the management operating system of the municipality initiated upon LGI advice and extensive interfacing with the chief executive officer (CEO) and president of the municipality, with the goal of enhancing their performance. The formation and deliberations of numerous commissions on issues of importance to the municipality are expected to have a substantial impact on future governance. Much of the additional effort under the other tasks has involved assisting the municipality to forge communications links, thus enabling different administrative, NGO/civil society organization (CSO), and public groups and individuals to impact the governance of the municipality and municipal operations. The LGI Team has also assisted in the preparation of the municipal LED strategy.

3.2 Project Accomplishments

3.2.1 Task 1—Improve the Legislative Framework for Local Governance and Clarify Roles and Responsibilities

Progress has been limited on Task 1 issues. There has been an effort to bring the policy issues raised by the AKM to the attention of the municipality, but the municipality's perception of the AKM is generally lukewarm.

A Municipal Commission to assess the impact of past and prospective legislation has been agreed, but there has been no real action to implement.

The LGI Team has provided supporting information as and when required.

3.2.2 Task 2—Improve Municipal Management and Leadership

This task has been the major focus of work in the first year. The scope of work (SOW) has embraced a wide range of commissions being established as a deliberate approach to enhance municipal decision making. The LGI Team has assisted the municipality in the identification of more "talented" municipal staff who are proving responsive to reform efforts. The Municipal Steering Group is working reasonably well, and the work of the LGI has had political support at all levels.

A particularly strong link has been developed with the new CEO and the president.

3.2.3 Task 3—Improve Citizen Participation, Transparency, Accountability, and Public Participation

Municipal links with CSOs and the strong NGO movement varied. An accord related to communications and participation has been forged between LGI and the municipal government. The involvement of NGOs in some areas of policy development is now seen more as natural good practice than as an expectation imposed by internationals.

3.2.4 Task 4—Foster Local Economic Development

A major concern for the municipality has been the poor relationship with the Kosovo Trust Agency (KTA) and the resulting disputes over the ownership and use of property. The LGI Team is helping to resolve this problem by assisting with advice and by trying to bring the parties together in a more constructive dialogue.

There was some difficulty in negotiating the LGI LED approach to economic development because a strategy for sustainable development had been prepared through the United Nations Development Program (UNDP) LED process. However, shortcomings in the UNDP process were identified and a *modus vivendi* established that the LGI Team has supported. This process has ensured that input from the LGI-supported LED strategic planning process will be integrated into the strategy produced under UNDP auspices.

3.2.5 Additional Activities

LGI provided generalized support to the municipal officials involved in implementing standards and assessing neighboring municipalities with the intention of “rolling out” best practices among them.

3.3 Challenges and Solutions

3.3.1 Challenges Faced

The municipality is complex both in terms of organizing itself politically and in terms of its self-assessment and opinion. These complexities presented a range of varied and specific challenges.

Although the LGI has been strongly supported by the municipality’s president, this did not extend to the original CEO. The CEO was much more focused on the post election creation of the alliance between the Democratic League of Kosovo (LDK) and the Alliance for the Future of Kosovo (AAK). His style of management and disregard for process tended to impair the initial thrust of the LGI and in no small measure blighted the opportunity to progress more quickly. After he and the Director of Legal Affairs departed for positions with the newly formed central government, there has been welcome change. The continuing reality, however, is that he has influence on and is involved in the future direction of the municipality. This has had a marked effect on his successor who was in an “acting” capacity for some time. The new CEO is much more committed to a modern approach, the application of new ideas, and a work ethic that draws much from his time in the diaspora. Clearly, there is tension between his general interests and the direction advocated by his predecessor.

There was also disregard for due political process and for the observance of regulation and procedure in the municipality. This disregard characterized the approach of the previous management and administration. It is being challenged by the new CEO. An improved discipline is emerging and some sense of corporate management is emerging, but is still in its infancy.

In the context of “complex,” there has been and continues to be an attitude that perceives the municipality as being superior in most ways to the rest of Kosovo. While in general terms the municipality has shown itself to be performing reasonably well in past surveys of municipal practices, good and often better practice exists elsewhere in Kosovo. To acknowledge this is no easy matter, especially for a Board of Directors who have been selected primarily for their political allegiances and not for their managerial abilities (the

municipality has a political coalition in place and in its administration). The deficiencies in the Board of Directors' capabilities significantly impede progress in improving municipal administration.

Clear disconnects existed in the municipality's relationship with CSOs and NGOs. The municipality showed scant regard for consultation and public-inclusive processes. Although there is a very strong and able NGO presence in the municipality, this presence has not been used effectively. However, a few individual NGO's did have a small degree of influence on the municipality.

Similarly the municipality was at an impasse with the KTA over the resolution of the so-called and defunct "joint stock" companies that had dominated the economic scene in prewar Gjakovë/Đakovica. This led to the KTA and the municipality adopting entrenched conflict positions. The situation was characterized by the CEO seeking "independence" for the municipality in a high-profile publicity campaign.

A major element led by the municipality was in the development of a "sustainable strategy" for LED in association with the UNDP. This led to a document being accepted by the Municipal Assembly in April 2005. This document has been distributed for consultation throughout the municipality. In and of themselves, the proposals contained in the strategy have many advantages, but it is clear that the municipality does not have a coherent policy on how best to promote them or how to act as an agent for change.

On a more positive note, the municipality had adopted a comprehensive approach to "standards." The municipality's implementation of standards has been uneven, but the leadership has shown commendable courage in view of a fairly hostile community that is still awaiting the return of many who remain listed as "missing." This courage has been most evident in some elements of standards implementation, especially that of championing multiethnicity and the return of Roma/Ashkaelia/Egyptians (RAE) and Serbs. This aspect of the postconflict situation touches a very raw political nerve throughout the community, resonating most strongly with the Albanian Kosovars.

3.3.2 Solutions Adopted

A range of approaches has been developed as part of the LGI Team's work in Gjakovë/Đakovica:

- It was important to win "hearts and minds," so LGI has very closely cooperated with the president and the previously acting and now substantive CEO. While the importance of having a sense of municipal "vision" has been hard to inculcate, there is real confidence in the cooperation of the LGI Team with the leadership that bodes well for the future.
- Similarly, the team has attended and often been asked to contribute to debate in board and committee meetings.
- The LGI has developed a Steering Group to provide a platform for discussion and cross-party political endorsement for the LGI project. In turn, this has had broader political support through the Policy and Finance Committee and the Municipal Assembly.
- The LGI has established a number of commissions that have addressed key issues impacting all Key Tasks. Their progress has been uneven, but the process allows for the identification of staff who are more susceptible to and welcoming of the change

agenda that is needed. The intention is to create a necessary “critical mass” to allow for a more sustainable approach than relying solely on induced change.

- The LGI has provided quite intensive coaching and support to key staff, especially to various directors, the staff of the CEO's office, the Personnel Manager, and those involved in the commissions.
- The LGI has taken the opportunity, where appropriate, to include representatives from the NGO sector in establishing the commissions. This inclusion had previously not been a “natural” part of the management process of the municipal administration.
- The LGI has put significant effort into creating a framework of contacts across all sectors of political and community life, as well as with the international agencies. Synergies have been sought out. The full potential has not yet been realized, but there is a growing recognition of the importance of such a process.
- There has been significant input from the team in preparing reports as part of the political process and providing other tools for use by managers. The municipality had a long-standing and almost completely verbal administrative tradition. Such a non-paper-based tradition left no trail that was managerially, politically, or financially auditable. The move towards a written reporting approach still needs further encouragement.
- LGI established contact with all sectors in the community to use these as a sounding board and for feedback on operations.
- The LGI has established a better spirit of cooperation with the utilities, and in particular with the KTA.

3.4 Challenges and Opportunities for 2005–2006

At the overall level, the challenge and opportunities for 2005–2006 will be drawn from the LGI Year 2 Work Plan, which reinforces the need for support in many of the key areas already mentioned. However, below are a few notes of direct relevance to Gjakovë/Đakovica Municipality:

- LGI progress at the municipal level will be influenced to some degree by the funding and implementation of Incentive Fund (IF) projects. The main thrust of the projects submitted for approval to date is to enhance progress in Key Tasks 2 and 4. There is a clear window of opportunity for incentive funded projects in these areas. The recommended projects also have potential for interagency and municipal cooperation. These projects will also have an impact in “roll out,” as their implementation will provide valuable lessons learned that can be disseminated.
- There is also an imperative to bring to a conclusion the work of the various commissions that were established by the Board of Directors. The experience of commission work shows that it is hard to maintain enthusiasm. The expectation thresholds for progress and action are high, but it is difficult to engender the needed long-term dedication to these tasks among commission members and administration. However, there are positive signs of sustainability.
- The municipal leadership's wish to have a committee system review in the Municipal Assembly also offers a real opportunity to consider a broader political ownership and understanding; to reinforce and improve management processes; and to open the

municipality to greater public scrutiny. The LGI's advised approach, which has been adopted for public consultation and meetings, provides a useful basis for such a review.

- Linked to this review of the committees are intended reviews of public consultation and publicity policy and practice, which will be supported by the LGI Team.
- If staff potential is to be developed, the municipality must implement the provisions of the Kosovo Civil Service Regulation and set aside funding for a municipal training budget.

4 Municipal Annual Report: Gjilan/Gnjilane

4.1 Overview

The precondition for effective work in Gjilan/Gnjilane, that of gaining local acceptance and credibility, was achieved during the first 3 months of the LGI Team's presence in the municipality. The municipality provided a small office adjacent to the office of the president of the Municipal Assembly. The office is functional and its location sends a strong signal of the Team's status to the municipal staff and other donors.

During the fall of 2005, the president, Mr. Lutfi Haziri, was very active in the parliamentary political campaign for the dominant political party in Kosovo, the LDK. After the LDK formed a government, Mr. Haziri was appointed as Minister of Local Government Administration—a new ministry. In January [state year], a new president, Mr. Xhemal Hyseni, was appointed by the Municipal Assembly. He had previously served as vice president and also serves as LDK party chief in Gjilan/Gnjilane.

The LGI Team's major effort in Gjilan/Gnjilane has concentrated on improvements in management and leadership with both administrative and public participation implications. In addition to these efforts, the team has conducted a substantive program aimed at the development of an effective LED strategy.

The efforts in the October 2004 to May 2005 period have provided the groundwork for tasks expansion and efforts implementation that will take place in Years 2 and 3 of the LGI project.

4.2 Project Accomplishments

4.2.1 Task 1—Improve the Legislative Framework for Local Governance and Clarify Roles and Responsibilities

The budget constraint imposed by the Ministry of Economy and Finance (MEF) for fiscal year 2005 severely limits the municipality's ability to meet the priority standards, which require additional staffing to meet the needs of minority citizens. Before the budget guidance was issued, the municipality had completed negotiations to hire Serbian Kosovar Deputy Directors for six departments. The CEO and president consulted with the LGI Team on this problem, and the LGI staff served as an intermediary to bring the issue to local and regional UNMIK staff. After a meeting of senior regional UNMIK staff, UNMIK announced that this was a very important issue, and they would refer it to the highest levels in UNMIK. This activity is reported under Task 1, because the issue required resolution from the Special Representative of the Secretary General (SRSG) and the Prime Minister (PM)/Ministry of Economy and Finance (MEF) and is closely connected to standards implementation.

4.2.2 Task 2—Improve Municipal Management and Leadership

Through the introduction of a rotational leadership system, the Board of Directors meetings have changed radically. Based on recommendations by the LGI Team, the format and leadership of the board meetings have been redesigned to improve the management and leadership of the meetings. The main initiatives are to rotate leadership and to improve agenda management. UNMIK has supported these changes with a legal opinion from its Regional Counsel, and OSCE is fully supportive. Baseline data on existing satisfaction levels with board meetings are being obtained by the special assistant to the CEO to measure the

effectiveness of the changes. The CEO fully supports this initiative. Eight meetings under the rotational leadership system have been held as of May 2005, and the practice seems to have been thoroughly accepted. Leader assignment, leader performance evaluation, and agenda management are currently managed by the Executive Assistant to the CEO *without* LGI Team support, which had been provided for the first three meetings.

The municipality has also requested *concrete* assistance in establishing a Citizen Service Center (CSC) that would serve as the main office for municipal service requests from citizens. The request is the result of a casual suggestion by the LGI Team, made during the fall of 2004, that the municipality might consider such a center. *This CSC is different from others funded by USAID in Central and Eastern Europe because it is not part of a supply-driven donor program.* It is the municipality's initiative and it is spending a large amount of its own funds.

Additional technical assistance has been provided by LGI in encouraging the development of a pilot, self-sustaining small infrastructure program funded by own-source revenue, whose capacity will be encouraged by the award of small projects. A supporting assessment of the service agreement with HidroMorava, the new regional water company, was also carried out by LGI.

4.2.3 Task 3—Improve Citizen Participation, Transparency, Accountability, and Public Participation

In addition to the projected improvement in participation and transparency inherent in the above concept of the CSC, the LGI Team has assisted in a number of initiatives with public participation implications. The LGI Team identified a media NGO, Press Club, which was successfully holding debates on local policy issues. A collaboration to foster public discussion on the significance and impact of the spatial planning process was carried out through them in early April with LGI support. LGI staff facilitated minority participation and arranged cosponsorship of the event.

The first formal business association in Gjilan/Gnjilane was formed with LGI assistance. This association, Reforma, includes the leaders of many prominent production businesses.

Development of the LED Action Plan involved formal consultation with the Serb business community by the Director of Economy, an Albanian, fluent in the Serbian language. With very modest LGI support, he initiated, organized, and carried out the consultation process.

4.2.4 Task 4—Foster Local Economic Development

In 2005, the Economy Department of the Municipality began under new and energetic leadership. The LGI Team has invested significant time getting the new Director briefed on LED and on appropriate roles for the municipality in economic development. Team members prepared a guidance document for the new Director, which he used to frame his department initiatives. The new Director, an intelligent and committed man without prior economic development experience, has adopted the guidance document as the program for his department.

In February 2005, the Municipal Assembly voted to approve an LED plan prepared with the support of other donors. In consultation with the LGI Team, the Economy Department determined that this plan, along with an economic base analysis prepared by

the United Nations Office for Project Services (UNOPS), could serve as an initial foundation for LED work.

The LGI has fostered a joint approach for land administration among the Inspection, Cadastre, and Urbanism Departments. This is a breakthrough, given that functional departments typically operate in a stovepipe-type fashion.

4.2.5 Additional Activities

Standards

Acting as a facilitator, the LGI Team has supported the Municipal Standards Coordinator in clarifying his own role and developing a focused approach to reporting on standards implementation by Departments. Similarly, the LGI Team has intervened to accelerate the procurement of multilingual signs. In addition, extensive conversations about standards have been held with the UNMIK municipal representative. These activities resulted in an invitation to the RMA to participate in municipal compliance assessment. The LGI declined the invitation because it is not consistent with the LGI role as *advisors*. As a result of LGI intervention, the topic of standards is now on every Board of Directors meeting agenda.

Decentralization

Since deployment of the LGI Team, decentralization has gained prominence since the village of Partesh/Parteš was designated as a pilot municipality. The Gjilan/Gnjilane LGI Team was directed to provide support to the pilot program. In addition, Dr. Yamashita, USAID Mission Director, visited the village to meet with Partesh/Parteš leaders and leaders from surrounding villages in March. He assured them that USAID would actively support implementation of the decentralization plan after it is formalized and that the Gjilan/Gnjilane LGI Team would be the main source of implementation assistance.

In this context, the Gjilan/Gnjilane LGI Team has participated in many discussions on decentralization, in particular on the fact-finding visit of senior state department officials in May 2005. The LGI Team ensured that the political complexities of creating a multiethnic pilot municipality were on the table. Recent developments indicate, however, that Partesh/Parteš will not be involved in the first round of pilot decentralized municipalities.

Advance Capacity Building to Nonhost Municipalities

Needs assessments were carried out by LGI for two neighboring municipalities, Kamanicë/Kamenica and Viti/Vitina. In Kamanicë/Kamenica, the assessment resulted in the CEO adopting the Board of Directors rotational leadership system. It has been in place since March 2005. The UNMIK legal opinion that specifies the procedure for this system, and which the LGI staff obtained for Gjilan/Gnjilane, removed a major roadblock to implementing this innovation in Kamanicë/Kamenica.

The legal opinion from UNMIK and the documentation of the Gjilan/Gnjilane rotational system have been shared with all LGI project personnel (RMA's and Municipal Management Consultants [MMC's]).

4.3 Challenges and Solutions

4.3.1 Challenges Faced

The main supporter of LGI participation in Gjilan/Gnjilane, President Lutfi Haziri, was unavailable for much of 2004 during the parliamentary election period and its aftermath. Despite this situation, a trust relationship was developed with him. This trust continues in his new role as Minister of Local Government Administration. In January, a new president took office and significant investment was required to establish a working relationship. In addition, most Department Heads are new and inexperienced, though eager. The management style of the CEO is relatively rigid and “top down,” constraining department-level initiative. These political and managerial conditions slowed the pace of the LGI Team during the early months of the project.

The Municipal Assembly did not meet from June 2004 to December 2004. This was the result of a “walkout” by Democratic Party of Kosovo (PDK) members, a move that eliminated a quorum. Since December 2004, the Municipal Assembly has been operating normally.

The municipality has a low general management capacity, but there are exceptions. For example, newly appointed professionals are making significant efforts to modernize their functions in the Cadastre, Urbanism, and Economy departments.

The budget constraint imposed by the MEF for fiscal year 2005 severely limits the municipality's ability to meet the priority standards, as well as its ability to fund its basic operations. Similar to the other municipalities, the ability of Gjilan/Gnjilane to manage its public finances effectively, efficiently, transparently, and accountably is questionable. The political opposition in the Municipal Assembly asks good questions, but answers are not generally forthcoming.

4.3.2 Solutions Adopted

The efforts that LGI has made to become familiar with all Directors and their operations are beginning to show results. The LGI Team is now seen as an integral part of the municipality. Similar efforts in relationship-building with the new president and the CEO have produced effective working relationships and a general feeling of trust. The team now has regular individual weekly meetings with the CEO and the president. These meetings are held at the president's and CEO's request.

LGI used a combination of written materials and discussion to bring suggestions to the municipal officials' attention. The LGI Team is often asked to contribute to debate in board and committee meetings. LGI has provided quite intensive coaching and support to some directors, the president, and the CEO.

4.4 Challenges and Opportunities for 2005–2006

At the overall level, challenges and opportunities for 2005–2006 will be drawn from the LGI Year 2 Work Plan, which reinforces the need for support in many of the key areas already mentioned. However, below are a few notes of direct relevance to Gjilan/Gnjilane Municipality:

- The LGI Team expects that topics on the LED Action Plan will be a main focus of advisory efforts in Year 2 and will be supported by the IF. In fact, the LGI Gjilan/Gnjilane team's major anticipated project focus will be plan implementation.

- The LGI Team will assist in LED efforts by supporting the development and implementation of LED action plans. A complete product, the LED Action Plan, is being developed in consultation with the Committee of Experts formed for the spatial planning process and with the new business association, Reforma. The plan is expected in early summer 2005.
- Support for the role played by public participation NGOs is expected to continue in Years 2 and 3.
- Progress on the CSC has been slower than the initial optimistic projections, and a fall opening is expected.
- Systemic improvements to project management are also in draft.
- LGI anticipates that the efforts of three departments will inform the spatial plan as the planning process moves forward. LGI will provide significant technical assistance in these efforts.
- LGI progress at the municipal level will be influenced to some degree by the funding and implementation of IF projects. The main thrust of the projects submitted for approval to date is to enhance progress in Key Tasks 2 and 4. There is a clear window of opportunity for incentive funded projects in these areas. The recommended projects also have potential for interagency and municipal cooperation. These projects will also have an impact in “roll out,” as their implementation will provide valuable lessons learned that can be disseminated.

5 Municipal Annual Report: Pejë/Pec

5.1 Overview

The LGI Team in Pejë/Pec took up residence in the Municipal Building and commenced operations at the beginning of December 2004. Since that time, the LGI has had an impact in all task areas of the project through a combination of written deliverables, coordination with other donors and the municipality, and interfacing with ministries of the central Provisional Institutions of Self-Governance (PISG).

The emphasis of the LGI Team effort in Pejë/Pec Municipality has been on reforming basic legislated, administrative, and management processes while moving forward with targeted opportunities developed in support of the primary tasks on an *ad hoc* basis. Major efforts have been expended on public finance, standards implementation, procurement, spatial planning, and LED, with substantial additional work related to Task 1 and municipal management and administration.

5.2 Project Accomplishments

5.2.1 Task 1—Improve the Legislative Framework for Local Governance and Clarify Roles and Responsibilities

In extensive discussions with municipal officials, reviews of current legislation, and the application of legislation to *ad hoc* municipal support opportunities, numerous gaps, inconsistencies, and poor practices were identified. Recommendations and draft revisions were prepared about elements of the proposed Local Government Law through the Local Government Working Group Report of 2004, to the Law on Public Financial Management and Accountability, and to the Administrative Instructions on municipal revenues and property tax, as well as to the basic accounting system used Kosovo-wide. Revisions were proposed to and reviewed by USAID and other international advisors in the MEF and MLGA, and directly to the MEF in a number of cases. Most of these recommendations have been accepted and applied within the MEF and are being “rolled out” to all municipalities in Kosovo. Additionally, recommendations and examples have been supplied relating to changes in laws, rules, and regulations for public personnel management and spatial planning processes. It is anticipated that further public finance, spatial planning, and functional sector law recommendations will be proposed, accepted, and applied in the near future.

5.2.2 Task 2—Improve Municipal Management and Leadership

As a major focus of LGI Team activities in Pejë/Pec Municipality, Task 2 has received the majority of team efforts. LGI has provided guidance, mentoring, and coaching with concrete examples of action planning and problem solving to the municipal management and leadership, with particular emphasis on key directorates, the Professional Commission, the CEO and the President of the Municipal Assembly.

Technical assistance was provided through recommendations and by providing policies, procedures, and other written materials for public finance, revenue collection, procurement, and personnel/human resources, as well as reorganizing the Department of Urbanism and providing numerous action- and task-planning and decision-making materials. The provided materials are under consideration or adopted, and will be formalized as municipal documents and manuals once accepted and revised. The mandatory

implementation of project budgeting to be included in MEF directives for budget development will also significantly assist in changing the internal operations of most, if not all, municipal directorates. A municipal phone book was also developed and delivered to ease communications across municipal government departments, with mass production and distribution slated to begin shortly.

In addition, with cooperation through association with the USAID Economic Reconstruction Project (ERP), LGI developed plans for public participation through hearings and printed materials in the development of the municipal budget. Two mandatory public budget hearings are to be included in the MEF budget circulars for municipalities. These are the first steps to include citizen populations in the budget cycle and may serve as the model to incorporate more citizen participation in municipal operational subprocesses. All items are designed to enhance minority participation.

5.2.3 Task 3—Improve Citizen Participation, Transparency, Accountability, and Public Participation

The inclusion of mandatory public hearings in the budget development process, upon LGI recommendation, will enhance the potential for citizen participation. The public will be allowed and encouraged to comment on the expenditure and budgeting of monies as well as on the fiscal and operational priorities of the municipality. Substantial effort has also been allocated to coaching and improving the efficiency and efficacy of the Professional Commission, the citizen and government board charged with decision making in the municipal spatial planning process. Members of the public have also been included in the LED Plan development process delivered by LGI in Pejë/Pec. In total, five additional public hearings have been added to the schedule of the municipality on LGI recommendations; two pertaining to budgets and three concerning spatial planning.

5.2.4 Task 4—Foster Local Economic Development

Task 4 encompasses both LED planning and spatial planning for the municipality. The LGI Team in Pejë/Pec has assisted in moving these planning processes forward, using them as examples of proper policies and procedures, as well as project management.

LGI sponsored and delivered a process for the enhancement of the municipal economic development plan through identification and implementation planning of specific initiatives. Multiple weekly meetings with municipal and NGO development stakeholders, and seminars through the World Strategies Inc. (WSI) subcontractor were used to ensure public and municipal participation and support. The draft of an expanded version of the recently adopted LED Plan for the municipality will be completed in June 2005.

LGI also assisted in developing and drafting a short lead-time proposal for funding development of a Business Service and Incubator Center (BSIC) and CSC. This is planned as a “one-stop shop” in the center of Pejë/Pec city and will include multiple uses designed to enhance citizen participation in meetings, events, and the communal life of the municipality. This is a significant potential use of IF monies if matching grants are provided by the European Agency for Reconstruction (EAR) through the MTI. LGI negotiated and facilitated the acceptance of these agreements and the proposal by the University of Prishtinë/Priština Business School, Regional Enterprise Agency (REA), UNMIK, and the municipality.

As support for the preparation of the municipal spatial plans, LGI also developed and delivered a municipal survey methodology to gather demographic and building data. The municipality has implemented this methodology and will provide an unofficial count of the majority and minority population, as well as of existing structures by submunicipal

administrative district. LGI will provide further technical assistance and support in enhancing the data's utility to the planning processes.

5.2.5 Additional Activities

Standards Implementation

LGI is fully involved as a resource for the standards implementation effort in Pejë/Pec and was given responsibility as a resource for technical assistance in cooperative meetings with UNMIK and OSCE for 20 separate priority standards. Contact and involvement with municipal counterparts and coordination with donor community is ongoing.

The LGI Team also identified and researched alternative means for translation improvements for the large number of municipal documents. Incentive funds planned to provide translation software for Albanian-Serbian-English translations.

Roll Out to Nonhost Municipalities

LGI extensively discussed and reviewed roll-out parameters in coordination with other project personnel and USAID officers. Draft ideas for roll-out implementation are in preparation. LGI also performed assessment surveys of four roll-out municipalities and the results have been drafted for formal assessment reports. In addition, LGI has planned delivery of technical assistance documents to roll-out municipalities (ROMs) and formed working relationships with the administrations of the ROMs of Istog/Istok, Klinë/Klina, Skenderaj/Serbica, and Glogovac/Glogovac.

Incentive Fund Approach

Comment and discussions on a proposed approach to defining and utilizing incentive funds for both municipal and CSOs/NGOs were made by the LGI project. Numerous funding proposals were submitted to LGI and evaluated. Eventually, proposals that are accepted will be proposed to LGI and USAID. These proposals cover Tasks 2–4 and Standards, with some having significant roll-out potential. It is anticipated that an acceptable approach to the use of incentive funds will be agreed between LGI and USAID during June.

Coordination with Other Donors

LGI is involved in the standards accomplishment process and coordination on issues of common interest with UNMIK, OSCE, and EAR, as well as other USAID projects. The coordination of all Tasks is an important facet of LGI.

5.3 Challenges and Solutions

5.3.1 Challenges Faced

The primary challenges in Pejë/Pec Municipality are associated with the conservatism of the municipal administration and its reluctance to adopt thorough reforms, with additional problem elements based on inconsistent, incomplete, or fundamentally flawed legislative bases for municipal operations. When these issues are paired with an insufficient budget and fundamental lack of understanding of the principles of good governance, the consequences are ineffective or inefficient operations, low public participation, a lack of substantive planning, and general disorganization of service provision throughout the municipality. Offsetting these issues is the willingness on the part of the municipal leadership to consider and implement good or best practice reforms.

5.3.2 Solutions Adopted

Although the tactical details of discussions and LGI-municipal communications have varied, the primary solutions used to communicate and expedite the work in Pejë/Pec have been to

- Provide written materials backed by substantive discussions and distributed widely to increase transparency and accountability.
- Ensure that written materials match good international and European practices and provide detailed guidance on the issues presented.
- Combine initiatives at the municipal level with discussions and recommendations to the central government ministries designed to support and enhance the recommendations.
- Coordinate closely with other USAID projects and the international/donor community to ensure that all recommendations receive consideration. The LGI relationship with other USAID projects has been particularly helpful.
- Adopt an enthusiastic but firm attitude toward all initiatives, problems, and recommendations, paired with clarity in communications. Mutual understanding, if not always agreement, is usually achieved.
- Never adopt an attitude that believes the counterparts *cannot* perform a task/reform, but rather accept that it may have to be done more simply or in some other, less optimal fashion at first, but with clear follow-throughs to expand the capacity to deal with it in a better way.

5.4 Challenges and Opportunities for 2005–2006

At the overall level, the challenges and opportunities for 2005–2006 will be drawn from the LGI Year 2 Work Plan, which reinforces the need for support in many of the key areas already mentioned. However, below are a few notes of direct relevance to Pejë/Pec Municipality:

- The LGI Team will assist in the development and implementation of LED action plans and the preparation and completion of all three municipal spatial plans.
- Significant municipal input to the process of writing and re writing the legislative framework will be encouraged and enabled.
- The BCSIC will be funded and operating during Year 2 of the LGI Project.
- A substantive reform of the municipal public finance, procurement, and personnel systems will be accomplished, with additional necessary follow-on work needed in future years.
- Public participation opportunities will be substantially enhanced, and some level of submunicipal governance will be piloted.

LGI progress in Pejë/Pec will be influenced to some degree by the funding and implementation of IF projects. The main thrust of the projects submitted for approval to date

is to enhance progress in all Key Tasks. There is a clear window of opportunity for incentive funded projects.

6 Municipal Annual Report: Podujevë/Podujevo

6.1 Overview

During the three quarters (from October, 2004, through May, 2005) of the LGI Team's residence in Podujevë/Podujevo, they have expended substantial efforts and achieved major results. The RMA began work in Podujevë/Podujevo at the beginning of October 2004, and the MMC began his duties at the beginning of December 2004.

The majority of the LGI Team effort in Podujevë/Podujevo Municipality has been in public participation, standards implementation, and local economic development, with substantial work related to Task 1 and municipal management and administration.

LGI adopted an organized approach to providing assistance to Podujevë/Podujevo Municipality. This approach is characterized by dividing the LGI Team's efforts into "stages of work." Stages of work are divided into: (1) assessment and familiarization, (2) Work Plan development, and (3) interventions. The LGI Team's role is an advisory one. Thus, gaining the trust of local government leadership, citizens, business leaders, and NGOs has been a critical factor in establishing a base from which advice can be given. The municipal leadership understands this approach and utilizes the LGI Team as a resource to which they come for guidance and advice.

6.2 Project Accomplishments

6.2.1 Task 1—Improve the Legislative Framework for Local Governance and Clarify Roles and Responsibilities

The LGI Team reviewed the current Agricultural Law, discussed it with municipal officials, and contributed commentary and analysis to be used in the development of the new law on agricultural land by the Ministry of Agriculture. Also, interactions between the nascent Regional and Environmental Planning Commission and the municipality were encouraged and supported by the LGI Team in Podujevë/Podujevo.

6.2.2 Task 2—Improve Municipal Management and Leadership

The LGI Team assisted the municipality in initiating its first personnel performance review by utilizing advice and methodologies provided by the LGI Team. In addition, the LGI Team developed and delivered procedures to monitor and track the use of municipal vehicles and supplies. The municipality adopted and implemented these procedures.

The LGI Team has utilized a series of management and leadership techniques that can enhance performance, including setting agendas, managing personnel, conducting group meetings, and developing *action items*, for which staff members take responsibility for completing.

To address perceived deficits, certain democratic approaches to leadership and effective management strategies have been developed and modeled to meet the unique circumstances in Podujevë/Podujevo. The municipal administration is applying these gradually and somewhat unevenly, but their general validity has been established. The following hierarchies illustrate some of the approaches taken in concert with the local

government in laying the groundwork for improved leadership and management. (Each of the terms utilized below represent a series of methodologies and activities.)

Action Planning Approach	Establishing Procedures	Advising and Consulting
Issue Identification	"In-take" Procedures (triage)	Planning
Research	Locale of Responsibility (where does the issue belong)	Coordinating
Design of Solutions	Standardization of Approach	Consulting
Implementation	Calendarization	Meeting
Monitoring and Evaluation		Training
		External Communications
		Capacity Sharing

6.2.3 Task 3—Improve Citizen Participation, Transparency, Accountability, and Public Participation

A number of initiatives have been completed. These initiatives were designed to enhance the participation of various groups and organizations in municipal governance, including a competition for essays and artwork and extensive discussions with minority representatives. Many of these initiatives are specifically related to the incorporation of minorities into the community and municipality and are thus related to standards.

6.2.4 Task 4—Foster Local Economic Development

Substantial efforts have been made in support of LED in Podujevë/Podujevo Municipality. The LGI Team assessed and reported to the municipality on the priority of socially owned enterprise (SOE) and cooperatives for privatization. This assessment was adopted as the municipal position on priority privatizations. The LGI Team remains active in identifying and resolving SOE issues and problems for the municipality. LGI also assisted the Directorate of Economy and Planning in revitalizing economic development planning and activities. In addition, LGI (through the Agriculture and Economy Directorates) is assisting with plans for a dairy farm with vocational training facilities.

6.2.5 Additional Activities

Standards

LGI has assisted in placing Podujevë/Podujevo at the forefront of standards implementation, particularly in bringing the local government in closer communication with citizens and minorities. The LGI Team has also assisted in cross-border initiatives aimed at fostering communications and understanding between Kosovar municipalities and those in Serbia and Montenegro.

Nonhost Municipality "Roll Out"

Needs assessments and discussions were held with Leposaviq/Leposavic Municipality. As a result, the municipality has agreed to participate in the roll out of LGI assistance. A number of other municipalities have also been contacted and preliminary assessments conducted.

6.3 Challenges and Solutions

6.3.1 Challenges Faced

The basic factors which limit the effective leadership and management of local government in Podujevë/Podujevo include (1) competency (the responsibility and authority to make and implement local-level decisions); (2) capacity (a low level of professional capacity within the local government); (3) finances (no effective budgetary system); (4) lack of planning cycles and systemized approaches (decisions are *ad hoc* and solutions are attempted only when issues reach a crisis stage); and (5) lack of a democratic structure of local government (a hybrid of party politics and parliamentary procedures exists in the place of any representative form of local government). All of these must be addressed if municipalities are to be competent to manage their own affairs.

6.3.2 Solutions Adopted

The primary modalities used for the delivery of services have included extensive individual contact with municipal officials, both in their offices and in the field. In addition, the LGI Team has used its work as examples of good practices for enhancing municipal capacities and has used a consistent message that supports the combined assessment, analysis, and action planning system referenced above.

The above methodologies have resulted in substantive communications and interactions that allow the delivery of the technical assistance offered by LGI.

6.4 Challenges and Opportunities for 2005–2006

At the overall level, the challenges and opportunities for 2005–2006 will be drawn from the LGI Year 2 Work Plan, which reinforces the need for support in many of the key areas already mentioned. However, below are a few notes of direct relevance to Podujevë/Podujevo Municipality:

- The LGI Team will assist in the development and implementation of LED action plans.
- Support and expansion of the role played by public participation NGOs is expected to continue in 2005–2006.
- Support for a CSC initiative is anticipated to be a major effort in 2005–2006.
- LGI progress in Podujevë/Podujevo will be influenced to some degree by the funding and implementation of IF projects. The main thrust of the projects submitted for approval to date is to enhance progress in Key Tasks 2 through 4. There is a clear window of opportunity for incentive funded projects in these areas. These projects will also have an impact in “roll out,” as their implementation will provide valuable lessons learned that can be disseminated.

7 Municipal Annual Report: Shtërpcë/Štrpce

7.1 Overview

Shtërpcë/Štrpce is the sole municipality among the LGI host municipalities with a Serbian-Kosovar majority. It also has the lowest population of any host municipality. The combination of these factors, paired with the municipality's unenviable economic circumstance, ensures that it is often unique in its response to LGI and municipal reforms.

The LGI Shtërpcë/Štrpce team has delivered significant technical assistance, but the adoption and implementation of this assistance by the municipality has been delayed. The team has delivered materials in all four tasks and in support of standards implementation, but many recommendations have not yet been adopted, or even fully considered, due to the state of governance in this municipality. Primary activities conducted by the Shtërpcë/Štrpce LGI Team were for Tasks 2 and 4—municipal management and leadership and LED and spatial planning. The LGI Team also carried out activities for Tasks 1 and 3.

7.2 Project Accomplishments

7.2.1 Task 1—Improve the Legislative Framework for Local Governance and Clarify Roles and Responsibilities

LGI Shtërpcë/Štrpce helped meet the standard of preparing action plans for six municipal departments in 2005, and has made a number of recommendations to the municipality on standards-related topics.

The organizational structure of the Shtërpcë/Štrpce municipality (with its absence of a Legal Department) obstructs collection of well-substantiated information on legal loopholes and inconsistencies. Progress in identifying needed changes in laws, rules and regulations has thus been hindered. This obstruction is further reinforced by municipal officials' reluctance to adopt changes to the legal framework, based upon their commitment to previous, Yugoslav-era laws. After the LGI-recommended organizational amendments are approved by the Assembly, and with the implementation of further Task-1 related projects in LGI, the RMA will work directly with relevant directorates to support this task.

7.2.2 Task 2—Improve Municipal Management and Leadership

Formal recommendations on revisions to municipal organizational structure, including the establishment of a Public Grievance Office (as an element of the Legal Division, recommended by LGI) and the appointment of a Personnel Officer (an element of the Human Resources [HR] Office suggested by LGI), are still pending approval by the CEO/Municipal Assembly. A discussion paper with ideas and recommendations for reorganization to strengthen functions and operations of the municipality has been approved by the CEO, and implementation is pending. LGI suggestions were used by the municipality for a resystematization exercise; municipal performance evaluations, and drafts of updated job descriptions for departments, management, and staff.

A written analysis of the president's and deputies' duties and responsibilities, as well as recommendations for change were presented to the CEO and the president based on Regulation 2000/45 and municipal statute. The analysis and recommendations are still being considered. Additionally, a discussion paper on methods to enhance the collection of municipal own-source revenues was submitted to the president and the CEO for approval

and enforcement. LGI also produced and distributed a manual on the preparation of action plans.

The RMA and LGI Team staff contributed to initiating individual departmental municipal strategies. The municipality will review the draft strategy for agriculture and forestry in July. Drafting is underway on development of a strategy for tourism, and the Environmental Strategy Working Group should be established soon. LGI will develop and deliver a set of terms of reference (TOR) for this Group.

7.2.3 Task 3—Improve Citizen Participation, Transparency, Accountability, and Public Participation

A number of LGI initiatives were implemented during Year 1 of the project that focused on citizen participation, media relations enhancements, and more support for youth involvement in governance.

The citizen dialogues initiated by LGI concentrated on the contents of the municipal LED strategy and on the spatial plan. Both dialogues are ongoing, and public comments and issues have been incorporated into both documents. LGI Shtërpçë/Štrpce also cooperated with other host municipalities on youth business education and training in proposal writing. Shtërpçë/Štrpce youth presented a project aimed at revitalizing the local movie theater so that it could be used by Serbian and Albanian youth.

All major municipal events relating to LGI operations have been recorded and broadcast by the local media, TV Herc. Present discussions aim at upgrading the performance and funding (with IF support) of the municipal information newsletter that is issued once a week or twice a month and used to present local ideas, problems, solutions, and challenges by the president, his deputies, the CEO, department directors, and NGOs/CSOs.

7.2.4 Task 4—Foster Local Economic Development

WSI led a series of LED workshops that were instrumental in the development of a draft for a municipal economic development strategy. Participants in these workshops were the CEO, department directors; representatives from the public domain, small and medium enterprises (SMEs), and NGOs; local bank directors; farmers; settlement representatives; and local politicians—with participation exceeding 50 attendees per workshop. Participant groups developed the draft and delivered it for comment to the heads of their individual working groups, to the Steering Committee (SC), and to the general public. All LED strategy development-related activities should be completed by mid September 2005.

The municipality of Shtërpçë/Štrpce is the only one to date in Kosovo that has met their deadline and submitted a set of spatial planning documents to the MESP. Public participation input was included into a final version of the document, which met the language standards (copies in Serbian and Albanian were provided). Development of urban plans for the three largest settlements should start in the third quarter of 2005.

7.2.5 Additional Activities

- **Nonhost municipalities' needs assessments** were completed for Novobërdë/Novo Brdo and Ferizaj/Uroševac, and an assessment of Kaçanik/Kacanik will be completed in July 2005 (because of delays with receiving information and translations).

- **Early roll out to nonhost municipalities** was based on transferring knowledge and Shtërpçë/Štrpce best practices in spatial planning procedures, action plans development, vision and mission development for strategic planning, and own-source revenues collection to Novobërdë/Novo Brdo, Ferizaj/Uroševac, and Kaçanik/Kacanik municipalities.

Incentive Fund (IF)

A request for project proposals and project ideas impelled the work on identifying possible IF-funded projects to support municipal operations and strengthen public participation and civil society. The competition brought nearly 20 project ideas and project proposals from individual departments, NGOs, and civic organizations. The RMA provided RTI headquarters with six completed project proposals for IF funding (installation of Internet capabilities, simultaneous translation equipment, installation of information boards in individual settlements, issuing of municipal/school bulletin, procurement of urban/spatial planning equipment, and issuing a municipal guidebook). Additional meetings identified potential projects with the local media, TV Herc, and the local public utility.

7.3 Challenges and Solutions

7.3.1 Challenges Faced

The primary challenge faced by the LGI Team in Shtërpçë/Štrpce Municipality is a combination of a less than ideal administrative structure and culture with ties to external entities that (1) provide significant, extra-legal funding and (2) encourage the municipality to functionally ignore certain elements of the governance structures in place in Kosovo. Lacking in administrative capacities and experience, the municipality, and indeed the community, often perceives little purpose in following the dictates and advice of Kosovo laws and government entities, which they are assured are illegal. When the additional element of poor economic conditions and massive unemployment, which are primarily alleviated by funds from external sources, is added, it is easy to understand the reluctance to perform in ways contrary to their individual and collective interests.

The commitment of the municipality to reform is in large part due to its leadership, while the civil service is often preoccupied with its normal operational patterns and processes, many of which have remained unchanged from the late 1990s. The reluctance to adopt reforms contributes substantially to the difficulties faced by the LGI Team in Shtërpçë/Štrpce.

7.3.2 Solutions Adopted

A range of approaches has been developed in the LGI Team's work in Shtërpçë/Štrpce:

- Very close cooperation with the president and the CEO has been extremely important to LGI successes in Shtërpçë/Štrpce. These relationships and their commitment to making good governance choices serve to move reform forward.
- Extensive written materials have been produced to act as catalysts for discussion and for adoption of reforms. The combination of concrete models of and instructions for good governance practices, with advocacy by the LGI Team, has substantially assisted in securing the support of the municipal leadership.

- Significant effort has been put into creating a framework of contacts across all sectors of political and community life, as well as with international agencies. Synergies have been sought out. The full potential has not yet been realized, but there is a growing recognition of the importance of such a process.

7.4 Challenges and Opportunities for 2005—2006

At the overall level, these challenges and opportunities will be drawn from the LGI Year 2 Work Plan, which reinforces the need for support in many of the key areas already mentioned. However, below are a few notes of direct relevance to Shtërpçë/Štrpce Municipality:

- The LGI Team expects that topics on the LED strategy will be a main focus of advisory efforts in Year 2 and will be supported by the IF. There are plans to attract all major business sector players to work with the municipality on implementation of the strategy. Cooperation with Kosovo Cluster Business Support (KCBS), International Organization for Migration (IOM), and other international actors should produce additional synergies.
- LGI progress at the municipal level will be influenced to some degree by the funding and implementation of IF projects. The main thrust of the projects submitted for approval to date is to enhance progress in Key Tasks 2, 3, and 4. There is a clear window of opportunity for incentive funded projects in these areas. The recommended projects also have potential for interagency and municipal cooperation. These projects will also have an impact in “roll out,” as their implementation will provide valuable lessons learned that can be disseminated.
- Continuing emphasis on the reorganization of the municipal administration, capacity building, and the provision of systems and processes for public procedures will continue in Year 2 of the LGI. Primarily, this is due to the municipal administration’s success in securing municipal support by providing concrete examples and complete information.

8 *Municipal Annual Report: Suharekë/Suva Reka*

8.1 Overview

During the first year of the LGI Project, the LGI Team in Suharekë/Suva Reka moved from the administrative and staffing issues and from the needs assessment and municipal Work Plan development phase to the implementation of projects proposed in the Work Plan and approved by the Steering Group. The LGI Team has provided coaching and mentoring to municipal leaders throughout the municipal posting, while implementing projects in all four of the task areas according to needs and priorities expressed by municipal leaders. Implemented projects included those addressing needs in leadership skills, own-source revenue enhancements, public participation (NGO and youth involvement), and LED and spatial planning.

One of the important areas of concentration of the Suharekë/Suva Reka Team has been the nonhost municipalities' needs assessments of the four neighboring municipalities. The assessment process methodology makes the assessment reports a valuable tool for the nonhost municipalities by making it a roll out-tool in itself. One example of an early roll out resulting from this process is the adoption in Malishevë/Mališevo Municipality of a regulation prohibiting the sale of alcohol to minors.

8.2 Project Accomplishments

8.2.1 Task 1—Improve the Legislative Framework for Local Governance and Clarify Roles and Responsibilities

The LGI Team has been actively involved in the support of standards implementation. The team will continue to provide assistance in developing action plans as well as to develop projects with limited funding from the IF. LGI Team support has been implemented through active participation in all meetings and municipal working groups related to standards and the return of displaced persons. Indirect support is also provided through implementation of other project activities related to Tasks 2–4. The Team has also tentatively selected specific projects from the Municipal Standards Implementation Plan that could be funded through LGI IF. The criteria for selecting these projects included contribution to other LGI tasks, funding amount required, and possibility of leveraging funds/municipal contributions, as well as general feasibility of the project.

8.2.2 Task 2—Improve Municipal Management and Leadership

Throughout the year, the LGI Team continued to work with the president, vice president, CEO, and key department heads by using mentoring and coaching techniques to improve management and leadership skills. Some improvement in the areas of time management, work organization, and managing meetings is already visible. In addition, LGI conducted a 1-day training workshop for the municipal leadership and management. Topics of the workshop included development of a vision and mission for Suharekë/Suva Reka Municipality; introduction of tools for strategic management (including spatial and capital investment plans); budgeting; and sectoral strategies for health, education, and other functional sectors.

Administrative operations were improved by providing Internet services, analysis of the FY 2005 budget and methodologies to cover a budget shortfall, enhancements to own-source revenue collections, and the adoption of an action planning methodology. All of these improvements were recommended and supported through technical assistance by the LGI Team.

In addition, the LGI Team, in collaboration with the municipal leadership, has conducted a preliminary review of organizational structure and procedures, which led to proposing specific activities in the Work Plan.

8.2.3 Task 3—Improve Citizen Participation, Transparency, Accountability, and Public Participation

In collaboration with the municipal leadership, the LGI Team has invested significant effort in improving citizen participation in governance for Suharekë/Suva Reka Municipality. The team has provided substantial assistance in areas related to public relations (PR) and media use, town hall meeting publicity, and youth participation in the political life of the community. Citizen feedback from town hall meetings was incorporated into municipal planning and operations.

LGI has also provided technical assistance to the Municipal Public Relations Office for presentations, municipal newsletter editing, and municipal website management.

Recognizing the importance of youth in the Suharekë/Suva Reka communities, LGI assisted in the formation of the Municipal High Schools Youth Organization (MHSYO). This organization prepared and introduced the first municipal regulation in Kosovo on prohibiting alcohol sales to minors. The LGI Team has participated alongside the mayor in a debate with the youth that was organized by high school students. The areas covered in the debate included the role of youth in standards implementation, the support of the municipality for the youth programs, and the implementation of the Kosovo education system reform. Outreach activities to youth in neighboring municipalities were also conducted.

In May, in Ohrid, Macedonia, the LGI Suharekë/Suva Reka team organized and conducted a 3-day capacity-building workshop for youth representatives from host and nonhost municipalities. The workshop aimed to build the capacity of young people to turn their initiatives and ideas into successful and actionable projects that could attract funding from various sources. The initiative was strongly supported by the participating municipalities, which included support in the form of financial contributions.

8.2.4 Task 4—Foster Local Economic Development

As a major focus of Suharekë/Suva Reka LGI Team activities, LED operations have been many and varied. Working with the WSI subcontractors, a series of workshops leading to the production of an improved municipal LED plan were conducted, with a draft of the new plan due by the end of June 2005. Municipal participation has been substantial and at a high level. An internal municipal working group tasked with updating the UNOPS-led Municipal Development Agenda is working in parallel on this effort. To be more precise, the group is updating the sectoral and business environment analysis included in the Municipal Development Agenda (MDA) to be used in the current LED strategic work. The LGI Team was also involved in mediating a conflict between the municipality and one of the leaders of the business community over land use.

LGI provided analysis and advice to the municipality on a proposed Austrian-funded dairy project. The LGI Team continues advising the CEO and the Directorate of Agriculture

on their involvement in this project to build a dairy plant in Suharekë/Suva Reka Municipality. The project was initiated by the Austrian Raiffeisen Bank Group, in cooperation with the Austrian Civil-Military Cooperation (CIMIC). A milk producers' cooperative has been organized for this purpose, which would secure commercial loans (from the Raiffeisen Bank) to build and operate the dairy. The municipality is involved in the project, a potential public-private partnership (PPP), through land and property issues. This project is one of the priorities for local agriculture.

Business Attitude Survey

Collective and individual attitudes and perceptions of Suharekë/Suva Reka firms that create jobs are crucial in the LED process. Yet, most employers have never been asked what they think about municipal services, labor force productivity, or the future of the community. To address this deficiency, the LGI Team designed and delivered a complete Business Attitude Survey (BAS) package. It includes an introductory memo, the text of the survey, training materials for survey takers, and a draft letter by the Mayor and the CEO addressed to selected business community members, as well as tools for consolidating and interpreting data. Implementation of this survey is planned for June 2005. IFs may be necessary to support the survey process.

8.2.5 Additional Activities

In the second half of December 2004, the LGI Team started the process of a focused needs assessment in nonhost municipalities. The process initially involved the neighboring municipalities of Rahovec/Orahovec, Malishevë/Mališevo, Shtime/Štimlje, and Lypjan/Lipljane, which cooperate with Suharekë/Suva Reka Municipality in a variety of ways. Preliminary assessment results from the four nonhost municipalities have been received and elaborated, and results have been presented to municipal leaders.

Intermunicipal Cooperation

LGI organized and facilitated a meeting in Rahovec/Orahovec between the CEOs of Rahovec/Orahovec and Suharekë/Suva Reka. The meeting addressed the possible areas of intermunicipal cooperation, particularly in regard to severe municipal budget cuts. The discussions covered the topics of joint capital projects, issues related to standards implementation, and the return of displaced families.

8.3 Challenges and Solutions

8.3.1 Challenges Faced

The primary challenge faced by the LGI Team in Suharekë/Suva Reka Municipality is the combination of a less than ideal administrative structure and a culture with an independent attitude toward suggestions from the international community. This broadly conforms to the initial assessments performed in 2004. The lack of administrative capacities and experience in the municipality leads to poor implementation of existing legislation. When the additional element of poor economic conditions and massive unemployment is added, it is easy to understand the need for assistance joined with the reluctance to accept some initial recommendations.

The municipality's commitment to reform is in large part due to its leadership, while the civil service is often preoccupied with its normal operational patterns and processes. The reluctance to adopt reforms contributes substantially to the difficulties faced by the LGI Team in Suharekë/Suva Reka.

8.3.2 Solutions Adopted

A range of approaches has been developed in the LGI Team's work in Suharekë/Suva Reka:

- Very close cooperation with the president and the CEO has been extremely important to LGI successes in Suharekë/Suva Reka. These relationships and their commitment to making good governance choices serve to move reform forward.
- The use of the Steering Group as a catalyst for change has allowed many projects to progress and eased their adoption by the Administration and in the Assembly.
- In-depth analyses and process documents have also been used to good effect. Providing such detailed recommendations seems to make adoption of the recommendations much easier.
- Interventions and discussions by the RMA in specific areas have substantially assisted in explaining and gaining acceptance of recommended reforms while providing service to the community.

8.4 Challenges and Opportunities for 2005–2006

At the overall level the challenges and opportunities for 2005–2006 will be drawn from the LGI Year 2 Work Plan, which reinforces the need for support in many of the key areas already mentioned. However, below are a few notes of direct relevance to Suharekë/Suva Reka Municipality:

- LGI progress at the municipal level will be influenced to some degree by the funding and implementation of IF projects. The main thrust of the projects submitted for approval to date is to enhance progress in Key Tasks 2, 3, and 4. There is a clear window of opportunity for incentive funded projects in these areas. The recommended projects also have potential for interagency and municipal cooperation. These projects may also have an impact in “roll out,” as their implementation will provide valuable lessons learned that can be disseminated to nonhost municipalities.
- Continuing emphasis on the reorganization of the municipal administration, capacity building, and the provision of systems and processes for public procedures will continue in Year 2 of LGI. Primarily, this is due to their success in securing municipal support by providing concrete examples and complete information.
- Implementation of revised procedures and the LED Plan will be major items emphasized in 2005–2006.

9 LGI Challenges and Opportunities for Year 2

As the LGI moves forward into the Year 2 of the Project, the pace of operations will increase substantially. The period of assessment and development has been completed, and the advisory establishments in Prishtinë/Priština and the municipalities already are or soon will be fully functional. In addition, municipal LGI Teams will implement assistance needed by all municipalities, provide assistance based solely on local needs, and respond to demands/requests from their host municipalities. The LGI Teams will also be part of a unified project effort to spread good practices throughout the municipalities of Kosovo. The implementation of projects under the IF will assist LGI in all tasks, as well as in the potential roll out of best practices to other municipalities. Cooperation and coordination with other organizations and projects will be vital to LGI's successful completion of its tasks in Year 2 of the project.

The challenges and opportunities envisioned by Key Task are:

Task 1:

- The task effort will become fully operational with the hiring of a Task 1 Manager, who will be substantially supported by the RMA and the Chief of Party (COP) in the delivery of international good and best practice advice on municipal matters to the units of the central PISG.
- The LGI will likely need to provide assistance with the internal organization of the MLGA in association with the Bureau for Europe and Eurasia Human and Institutional Capacity Development (HICD).
- Major efforts are anticipated in support of the MLGA legislative program and the writing of new laws or amendments to existing law, policies, and procedures.
- Municipalities will be fully integrated into these efforts to ensure their voices are heard
- LGI will assess the need for and provide assistance for the establishment of Kosovo-wide professional organizations based upon municipal employees and concerns.

Task 2:

- LGI Teams will continue to provide mentoring and coaching to municipal management and leadership.
- LGI Teams will develop skills and understanding at both managerial and political levels arising from any committee restructuring.
- LGI Teams will assist municipalities with the implementation of good practices and with implementation and assessment of the impact of new legislation.
- LGI Teams will support the development of a culture and practice of "customer care."

- LGI Teams will provide materials and training, both individually and in groups, to assist municipalities in these efforts.
- Wherever possible, concrete, written materials will be provided as part of the assistance delivered.
- Projects implemented under the IF will assist the LGI in all tasks and in the potential roll out of good practices to other municipalities.
- LGI Teams will address the implication of training needs and how it relates to the host municipalities' resources to apply the skills taught by training providers. (Often training is provided with little regard for the municipalities' resources to apply or utilize the skills that have been learned.)

Task 3:

- LGI Teams will assist municipalities in adding public participation events and initiatives to pre-existing processes, as well as ensuring that public input is incorporated into new initiatives' programs.
- LGI Teams will assist municipalities in the development of communications and media strategies to enhance public interest and awareness, thus improving democratic governance.
- LGI Teams will encourage and assist municipalities in enhancing the transparency and accountability of their operations.

Task 4:

- LGI Teams will assist municipalities in their preparation of spatial planning materials and processes.
- LGI Teams will assist municipalities in developing and implementing strategies for LED, particularly for the actualization of priority LED initiatives identified in the LED Plans prepared with LGI assistance.

The LGI calendar, goals, and objectives for Year 2 will be specifically set in the Work Plan currently being developed by the LGI Team and will be delivered to USAID/Kosovo on July 15, 2005.